

~~SECRET~~

~~Security Information~~

~~CONFIDENTIAL~~

atty

Systems of atty

Deputy Comptroller

24 November 1952

Chief, Technical Accounting Staff

Stockpile of Medical Supplies

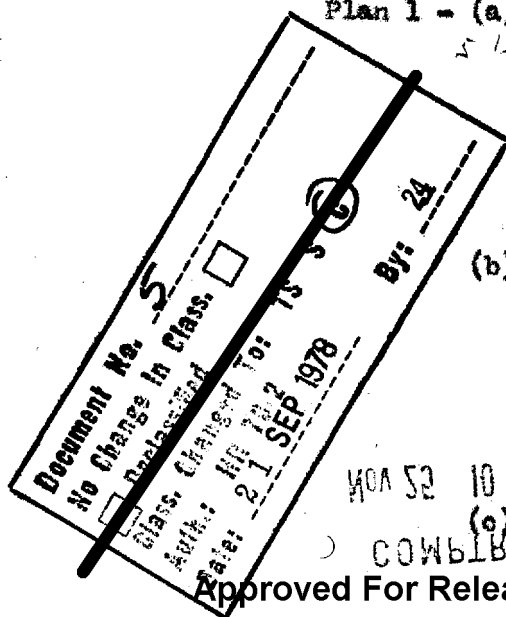
1. The subject of funding of, and accounting for, inventories of medical supplies was discussed by TAS representatives with the Chiefs of the Budget Division, Fiscal Division, and the Finance Division and certain of their staff employees. Specific consideration was given to the FRC action taken 28 May 1952 establishing a stockpile of medical supplies, subject to replenishment within a \$600,000 limitation with provision for operation on a revolving fund basis.

2. Based on initial discussions held with the Chief, Budget Division, three alternative plans for accomplishing the objective were submitted to the Chief, Finance Division for his consideration, comments and suggestions, for purposes of meeting obvious procedural requirements of both divisions. The plans were discussed with interested Finance Division employees and documented by work papers indicating the accounts affected, basic budgetary and accounting techniques, and the effect thereof in the accounts under each plan.

3. All three plans call for the establishment of inventory accounts in the Finance Division general ledger for the purposes of controlling acquisitions, issues, inventories on hand, and costing to projects, offices, or divisions.

4. The respective plans are as follows:

- Plan 1 - (a) Project costs would be controlled by a general ledger cost account(s) reflecting direct costs resulting from the expenditure of funds allotted directly to the project plus indirect costs resulting from the transfer of inventories from stock to projects. Subsidiary accounts would be maintained on a project code basis.
- (b) Expenditures recorded against the project allotments would represent only charges for direct costs or expenses resulting from the expenditure of funds allotted to and remaining with the project. Amounts equal to the cost of inventories charged to a project would not be recorded as an expenditure against the allotment made direct to the project.
- (c) Periodically (each month) transfers of allotments in amounts equal to the cost of inventories issued



~~SECRET~~
~~Security Information~~
~~CONFIDENTIAL~~

248

SECRET
Security Information

to projects would be effected through decrease in project sub-allotments (also office or division allotments) and increase to the stockpile allotment.

Plan 2 - (a) Same as Plan 1

- (b) Expenditures recorded against the project allotments would represent an amount equal to direct costs resulting from the expenditure of funds allotted to the projects plus the cost of inventories issued to projects. This results in a duplicate expenditure being recorded in the accounts for the cost of the inventories issued to projects.
- (c) Because of the transactions being recorded as duplicate expenditures, offsetting correction would be effected by charging an account similar in nature to "Reimbursements to Appropriations" and crediting "Unobligated Allotments". Subsidiary accounts would be maintained in support of "Reimbursement to Appropriations" coded by project codes. An amount equal to the credit to "Unobligated Allotments" would be recorded in the stockpile allotment account as an increase allotment. Obligations and expenditures applicable to the replenishment of stock would be recorded in the stockpile allotment account.

Note:

It is contemplated that under the procedures being developed to implement the DD/A approval to allot procurement funds directly to P&SO, issues of stock to projects for material other than medical supplies will not be recorded as allotment expenditures; however such charges will be coded on a subsidiary cost account basis by project code and must support an indirect project cost control account.

Plan 3 - (a) Same as Plan 1 and 2

(b) Same as Plan 2

(c) Because of the transactions being recorded as duplicate expenditures, offsetting correction

SECRET
Security Information

would be effected by recording a reverse expenditure in a separate allotment account, thus making funds available for obligation purposes, supported by subsidiary accounts indicating project codes against which application of indirect costs have been recorded as expenditures. Obligations and expenditures applicable to the replenishment of stock would be coded to the separate allotment account. Assuming obligations for replenishment purposes were equal to the cost of inventories issued to projects, the balance of this allotment account would be zero.

5. The plans and related procedures were discussed in detail at a joint meeting of representatives of the TAS, Budget Division, and Finance Division, on 19 November 1952, at which time the merits and shortcomings of each plan were presented. It was determined that the plan most acceptable for overall operations was the one designated as Plan 2. Those present at the meeting were Messrs. [REDACTED] and [REDACTED]

25X1A9a

25X1A9a

6. It also was determined that the allotment of funds covering the purchase of basic stockpile requirements should be recorded as "Unvouchered Funds" in the accounts maintained by the Finance Division, even though it is anticipated that a substantial portion of the items procured will be from the [REDACTED] with cash disbursements being effected by the Fiscal Division.

25X1A1d

7. Subsequent to the conclusion reached, as indicated in paragraph 5 above, an additional plan designated hereafter as Plan 4 was considered by TAS and discussed with Messrs. [REDACTED] of the Finance Division. The principles involved in this plan are as follows:

25X1A9a

25X1A9a

Plan 4 - (a) Same as Plan 1

(b) Amounts applicable to the respective projects equal to charges for direct costs for goods and materials received or services rendered will be recorded as an expenditure of funds allotted to the project.

5-13

(c) Amounts equal to the cost of equipment and supplies issued from stores to the projects

~~SECRET~~
Security Information

5-83 will be recorded in the IBM allotment records as a "transfer" rather than as an expenditure. The amount of the "transfer", however, will operate in the same manner as an expenditure in the sense that it will reduce the "Unobligated Balance of Allotment" available to the project or activity to which issued.

(d) An amount equal to the total cost of equipment and supplies issued from stores to the respective projects will be recorded as a "reverse transfer" in the IBM allotment records maintained for the Medical Supply allotment and it will increase the "Unobligated Balance of Allotment" available to the Medical Supply operation.

(e) From an allotment standpoint, the net effect of such a procedure results in the establishment of an "Unobligated Balance of Allotment" against which additional procurement actions can be obligated without the necessity of transferring or otherwise increasing allotments to the Medical Supply operation. It eliminates the need of effecting entries in the general ledger fund accounts maintained by the Fiscal Division and retains control over Unobligated Allotments - Account 91.2.

8. It is believed by TAS and the Finance Division that Plan 4 (1) satisfies the requirements of the budget and accounting divisions, (2) is consistent with the intent of the PRC action, (3) is easily administered, and (4) is the most acceptable from an overall standpoint. Accordingly, it is requested that you concur in the adoption of Plan 4 as a means of funding and accounting for the Stockpile of Medical Supplies needed for operational purposes and in the transfer of the entire allotment for the medical supply stockpile from the Fiscal Division records to the Finance Division records.

9. TAS will prepare a memorandum for your signature outlining the steps to be taken in adjusting the accounts affected in the general and allotment ledgers maintained in the Fiscal and Finance Divisions, and the accounting mechanism to be followed in the application of the recommended procedure. TAS will also

-4-

~~SECRET~~

~~SECRET~~
Security Information
~~CONFIDENTIAL~~

take steps to initiate the development and implementation of detailed procedures, subject to clearance by all interested offices.

 25X1A9a

Concurred:

Deputy Comptroller

TAS/ADB:kd (17 December 1952)

Distribution:

Orig. - Addressee
1 - Budget Division
1 - Finance Division ✓
1 - Fiscal Division
2 - TAS

RECEIVED DIA 23

~~SECRET~~

Security Information

~~CONFIDENTIAL~~